

Fifty-fifth  
Legislative Assembly  
of North Dakota

## ENGROSSED HOUSE BILL NO. 1069

Introduced by

Legislative Council

(Taxation Committee)

(Representatives Belter, Keiser, Timm)  
(Senators Kringstad, Krauter, Kinnoin)

1 A BILL for an Act to amend and reenact section 57-02-27.2 of the North Dakota Century Code,  
2 relating to use of annual gross returns to determine agricultural property assessments; and to  
3 provide an effective date.

4 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

5 **SECTION 1. AMENDMENT.** Section 57-02-27.2 of the 1995 Supplement to the North  
6 Dakota Century Code is amended and reenacted as follows:

7 **57-02-27.2. (Effective for first ~~three~~ taxable years year beginning after December**  
8 **31, 1994 1996) Valuation and assessment of agricultural lands.** "True and full value" of  
9 agricultural lands must be their agricultural value for the purposes of sections 57-02-27,  
10 57-02-27.1, 57-02-27.2, and 57-55-04. Agricultural value is defined as the "capitalized average  
11 annual gross return". The "annual gross return" must be determined from crop share rent, cash  
12 rent, or a combination thereof reduced by estimated property taxes and crop marketing  
13 expenses incurred by farmland owners renting their lands on a cash or crop share basis. For  
14 purposes of this section, "annual gross return" for cropland used for growing crops other than  
15 sugar beets and potatoes means thirty percent of annual gross income produced, "annual  
16 gross return" for cropland used for growing sugar beets and potatoes means twenty percent of  
17 annual gross income produced, and "annual gross return" for land used for grazing farm  
18 animals means twenty-five percent of an amount determined by the agricultural economics  
19 department of North Dakota state university to represent the annual gross income potential of  
20 the land based upon the animal unit carrying capacity of the land. The "average annual gross  
21 return" for each county must be determined as follows:

22 1. Total the annual gross returns for the most recent ~~six~~ seven years immediately  
23 preceding the current year for which data is available and discard the highest and  
24 lowest annual gross returns of the ~~six~~ seven.

2. Divide the figure arrived at in subsection 1 by ~~four~~ five.

To find the "capitalized average annual gross return" ~~for years after 1983~~, the average annual gross return must be capitalized by a rate ~~which~~ that is a ten-year average of the gross federal land bank mortgage rate of interest for North Dakota. The ten-year average must be computed from the twelve years ending with the most recent year used in subsection 1, discarding the highest and lowest years, and the gross federal land bank mortgage rate of interest for each year must be determined in the manner provided in section 20.2032A-4(e)(1) of the United States treasury department regulations for valuing farm real property for federal estate tax purposes, except that the interest rate may not be adjusted as provided in paragraph (e)(2) of section 20.2032A-4.

~~It is the duty of the~~ The agricultural economics department of North Dakota state university ~~to shall~~ compute annually an estimate of the average agricultural value per acre [.40 hectare] of agricultural lands on a statewide and on a countywide basis, ~~to shall~~ compute the average agricultural value per acre [.40 hectare] for cropland and noncropland, which is agricultural land, for each county, and ~~to shall~~ provide the tax commissioner with this information by December first of each year. Fifty percent of the annual gross income from irrigated cropland must be considered additional expense of production and may not be included in computation of the average agricultural value per acre [.40 hectare] for cropland for the county as determined by the agricultural economics department. ~~Prior to~~ before January first of each year, the tax commissioner shall provide to each county director of tax equalization these estimates of agricultural value for each county.

~~Prior to~~ Before February first of each year, the county director of tax equalization in each county shall provide to all assessors within the county an estimate of the average agricultural value of agricultural lands within each assessment district. ~~Such~~ The estimate must be based upon the average agricultural value for the county adjusted by the relative values of lands within each assessment district compared to the county average. In determining the relative value of lands for each assessment district compared to the county average, the county director of tax equalization ~~shall~~, wherever possible, shall use soil type and soil classification data from detailed and general soil surveys. Where such data cannot be used, the county director of tax equalization shall use whatever previous assessment data is best suited to the purpose.

1        ~~It is the duty of each~~ Each local assessor ~~to shall~~ determine the relative value of each  
2        assessment parcel within ~~his~~ the assessor's jurisdiction and ~~to shall~~ determine the agricultural  
3        value of each assessment parcel by adjusting the agricultural value estimate for the  
4        assessment district by the relative value of the parcel. Each parcel must then be assessed  
5        according to ~~the provisions in~~ section 57-02-27. If either a local assessor or a township board  
6        of equalization develops an agricultural value for the lands in its assessment district differing  
7        substantially from the estimate provided by the county director of tax equalization, written  
8        evidence to support the change must be provided to the county director of tax equalization.

9        **(Effective for taxable years beginning after December 31, 1997) Valuation and**  
10       **assessment of agricultural lands.** "True and full value" of agricultural lands must be their  
11       agricultural value for the purposes of sections 57-02-27, 57-02-27.1, 57-02-27.2, and 57-55-04.  
12       Agricultural value is defined as the "capitalized average annual gross return". The "annual  
13       gross return" must be determined from crop share rent, cash rent, or a combination thereof  
14       reduced by estimated property taxes and crop marketing expenses incurred by farmland  
15       owners renting their lands on a cash or crop share basis. For purposes of this section, "annual  
16       gross return" for cropland used for growing crops other than sugar beets and potatoes means  
17       thirty percent of annual gross income produced, "annual gross return" for cropland used for  
18       growing sugar beets and potatoes means twenty percent of annual gross income produced,  
19       and "annual gross return" for land used for grazing farm animals means twenty-five percent of  
20       an amount determined by the agricultural economics department of North Dakota state  
21       university to represent the annual gross income potential of the land based upon the animal  
22       unit carrying capacity of the land. The "average annual gross return" for each county must be  
23       determined as follows:

- 24       1. ~~Total~~ For taxable year 1998, total the annual gross returns for the most recent ~~six~~  
25       eight years immediately preceding the current year for which data is available and  
26       discard the highest and lowest annual gross returns of the ~~six~~ eight. For taxable  
27       year 1999, total the annual gross returns for the nine years immediately preceding  
28       the current year for which data is available and discard the highest and lowest  
29       annual gross returns of the nine. For taxable year 2000, total the annual gross  
30       returns for the ten years immediately preceding the current year for which data is  
31       available and discard the highest and lowest annual gross returns of the ten.

2. ~~Divide~~ For taxable year 1998, divide the figure arrived at in subsection 1 by four  
six. For taxable year 1999, divide the figure arrived at in subsection 1 by seven.  
For taxable year 2000 and thereafter, divide the figure arrived at in subsection 1 by  
eight.

To find the "capitalized average annual gross return" ~~for years after 1983~~, the average  
annual gross return must be capitalized by a rate ~~which~~ that is a ten-year average of the gross  
federal land bank mortgage rate of interest for North Dakota. The ten-year average must be  
computed from the twelve years ending with the most recent year used in subsection 1,  
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estate tax purposes, except that the interest rate may not be adjusted as provided in paragraph  
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average agricultural value per acre [.40 hectare] for cropland and noncropland, which is  
agricultural land, for each county, and ~~to~~ shall provide the tax commissioner with this  
information by December first of each year. ~~Prior to~~ Before January first of each year, the tax  
commissioner shall provide to each county director of tax equalization these estimates of  
agricultural value for each county.

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6        of equalization develops an agricultural value for the lands in its assessment district differing  
7        substantially from the estimate provided by the county director of tax equalization, written  
8        evidence to support the change must be provided to the county director of tax equalization.

9        **SECTION 2. EFFECTIVE DATE.** This Act is effective for taxable years beginning after  
10        December 31, 1996.